

**MINUTES OF THE
ELECTRICAL DEREGULATION AND CUSTOMER CHOICE TASK FORCE**

Thursday, May 25, 2000 - 1:00 p.m. - 303 State Capitol

Members Present:

Rep. Blake D. Chard, Chair
Sen. Lorin V. Jones
Sen. Eddie "Ed" P. Mayne
Sen. Millie M. Peterson
Sen. Michael G. Waddoups
Rep. Ralph Becker
Rep. Sheryl L. Allen
Rep. Judy Ann Buffmire
Rep. Kevin S. Garn
Rep. Jack A. Seitz

Members Excused:

Sen. Leonard M. Blackham, Chair
Rep. David Ure

Staff Present:

Mr. Brian Allred,
Research Analyst
Ms. Patricia Owen
Associate General Counsel
Ms. Beverlee LeCheminant
Legislative Secretary

Note: A list of others present and a copy of materials distributed in the meeting are on file in the Office of Legislative Research and General Counsel.

1. Call to Order - Approval of Minutes of April 26, 2000 - Chair Hatch called the meeting to order at 1:05 p.m.

MOTION: Sen. Peterson moved to approve the minutes of the November 10, 1999 and the April 26, 2000 meetings. The motion passed unanimously with Sen. Mayne and Reps. Becker and Garn absent for the vote.

2. Task Force Business - Rep. Hatch excused Sen. Blackham from the meeting.

3. In legislation prepared for the 2001 session, which electric customers should be given the option to access competitive services - Chair Hatch explained that responses had been received to the survey request sent to task force members and interested parties on whether the task force should prepare legislation for the 2001 General Session and, if so, which customers should have access to competitive services in the legislation.

Ms. Patricia Owen, Associate General Counsel, provided a brief summary of the results of the survey and provided task force members with copies of the responses.

4. How can customers that are not given the option of access to competitive services be protected? - Commissioner Stephen Mecham, Public Service Commission (PSC), discussed a 1998 report submitted by the PSC entitled "Consumer Protection" which analyzes the requirements for insuring consumer protection for electricity users in a competitive environment. Commissioner Mecham addressed eight issues in the report that should be considered by the task force before proceeding with deregulation: 1) the provision of a standard offer; 2) the obligation to connect and serve; 3) dispute resolution; 4) consumer education; 5) universal service; 6) safety and reliability; 7)

aggregation; and 8) the regulation of electric service providers. Commissioner Mecham also emphasized that Utah and other states should consider the smaller customer and what can be made available to them in the event that they choose not to deregulate.

Ms. Becky Wilson, Division of Public Utilities (DPU) discussed the experiences of other states such as Pennsylvania.

Task force discussion followed.

5. What additional issues must be addressed? Which of these issues must be resolved prior to passage of potential legislation? Mr. Brian Allred, Research Analyst, discussed the summary information regarding responses to the survey of potential issues which need to be addressed that was mailed to task force members and other interested parties. He indicated that staff had to interpret and assume certain things in compiling the responses to this list, and of all of the issues that were on the list, the majority of the responses show that these issues should be resolved prior to passage of legislation.

Rep. Garn commented that the task force has been meeting for three years and has studied the issues concerning electrical deregulation, but has not come to any conclusions on the issues.

MOTION: Rep. Garn moved that the task force use Rep. Hatch's bill draft from the 2000 General Session as a potential beginning point in the task force's study of relevant issues, allowing, if the task force chooses, the legislation developed by the task force to go beyond the four largest industrials.

Sen. Waddoups suggested that the legislation the task force starts with should be expansive enough that it will include more than the four major industrials.

Sen. Mayne indicated that he is supportive of Rep. Garn's motion as a starting point, but would like to see it expanded. He suggested creating a pilot program to see what would happen to the state in the whole system of electrical services and how it would impact small businesses and residential customers.

SUBSTITUTE MOTION: Rep. Becker moved that the task force look at a two-step process in preparing legislation for the next session with the intent of preparing legislation for the 2001 General Session. The first step would be to work through the issues and determine a task force position on each issue, and the second step would be to prepare a bill draft to reflect those concepts.

Sen. Peterson indicated that she is supportive of Rep. Becker's motion.

The Substitute Motion failed with Sen. Peterson and Reps. Becker and Buffmire voting in the affirmative and Sens. Jones, Mayne, and Waddoups and Reps. Allen, Garn, Hatch, and Seitz voting in the negative. Sen. Blackham and Rep. Ure were absent for the vote.

Rep. Garn's motion passed with Sens. Jones, Mayne, and Waddoups and Reps. Allen, Garn, Hatch, and Seitz voting in the affirmative and Sen. Peterson and Reps. Becker and Buffmire voting in the negative. Sen. Blackham and Rep. Ure were absent for the vote.

6. What services should be open to competition? Mr. Ric Campbell, Director, DPU, distributed a handout from the PSC regarding services which may be unbundled and told the task force that the table is an analysis of services that could possibly be unbundled on a technical measure. Mr. Campbell said that as other states around the country have moved to electrical deregulation, they have unbundled generation. He indicated that some of the states identify transmission and distribution, but the idea is to take the part that is being made competitive out of the current complete product. Mr. Campbell stated that the other area of interest regarding unbundling is billing and metering and the PSC did a search of the 22 statutes that have passed and found that the vast majority of the states determined that the PSC should decide if metering and billing should be unbundled. Mr. Campbell indicated that the PSC also conducted some research on California's unbundling and found that California has unbundled in four areas: 1) generation; 2) transmission; 3) distribution; and 4) public purpose programs. He summarized by saying that the market will perhaps allow some of the more detailed services to be competitive, but he would recommend that the task force not identify to this level of unbundling from a legislative standpoint or the PSC's standpoint.

Mr. Doug Larsen, PacifiCorp, stated that generation-related services are generally the first services that have been opened for competition and FERC has set some parameters around these services and retains the jurisdiction in many of the services. Many of the other services are distribution or service related and would fall under the state jurisdiction. Mr. Larsen said that in order to determine that an electric service is a potentially competitive service if provided by alternative sellers, the following conditions should be met: 1) it will not harm any class of customers; 2) it will decrease the cost of providing service to customers in the state or increase the quality or innovation of the service in the state; 3) it is a service for which effective competition in the market is likely to develop; 4) it will advance the competitive position of the state relative to surrounding states and will not otherwise jeopardize the safety and reliability of the service in the state.

Mr. Larsen indicated that on the issue of pricing, in most instances the host utility is still saddled with the ultimate responsibility for providing the service. If certain customers elect to take billing from a competitive firm, it does not release the company from the responsibility to bill, so the question of cost credit comes up and how much of a credit the customers should get. PacifiCorp feels that the credit should be detrimental cost and not embedded cost. He stated that California and other states still continue to struggle with this and have not resolved the cost issue.

Mr. Larsen urged the task force to move forward with caution on each of these issues. The

issues should be studied thoroughly and if they are in the best interest of the customers of the state, then the task force should proceed with legislation.

7. Adjourn -

MOTION: Senator Peterson moved to adjourn. The motion passed unanimously.

Chair Hatch adjourned the meeting at 2:50 p.m.

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